



FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL

SECTION 15

Periodic and Year-End Procedures and Records Maintenance

1 Purpose

The purpose of this section is to establish period processing procedures and reporting requirements for the Fixed Asset Management System (FAMS) and to define the guidelines for maintenance, retention, and disposition of fixed asset records.

2 Scope

Concerning the reporting of fixed asset information, the City must comply with reporting and disclosure requirements in accordance with current Generally Accepted Accounting Principles (GAAP) for governmental entities, including pronouncements of the Governmental Accounting Standards Board (GASB), the *Codification of Governmental Accounting and Financial Reporting Standards*, pronouncements of the Financial Accounting Standards Board (FASB), and other authoritative literature codifying governmental accounting principles and methods, as well as recommendations contained in *Government Accounting, Auditing and Financial Reporting* published by the Government Finance Officers Association (GFOA). Refer to the *FAMS User Manual* for specific periodic and year-end processing procedures and the list of available reports.

3 Periodic Procedures

3.1 Monthly

Prior to month-end, departments will be responsible for timely entry and review of all transactions that have occurred during the period, as specified in these procedures. These transactions include, but are not limited to the following:

- Additions (acquisitions)
- Disposals
- Transfers
- Financial adjustments
- Status changes (*idle, active*)
- Inventory results and reconciling transactions
- Other adjustments (parent-child relations, asset number changes)

The Department Fixed Asset Coordinator (DFAC) will be responsible for ensuring that the FAMS is backed up regularly for security purposes, but in no circumstances will backups be less frequent than once a week.



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3.2 Annually

Prior to year-end close, Asset Management will

- ensure and verify that depreciation has been processed for all assets in the FAMS database,
- perform any necessary year-end close procedures in the FAMS, and
- complete and archive a post-close backup of the database for the period.

3.3 Other

Departments will conduct a physical inventory of all fixed assets and controlled items as described in Section 14 (Physical Inventory). Each department will prepare a Missing Assets Report and an Inventory Report and forward these reports to Finance & Administration (F&A) and Asset Management.

4 Financial Statements

Annually, Asset Management will provide the Controller's Office with capital asset data, schedules, and information to be included in the City Comprehensive Annual Financial Report (CAFR). Schedules and supplemental information will be obtained from the FAMS in accordance with the City Controller's requirements and schedules. Schedules, data, and information will be provided in accordance with GASB *Statement* No. 34 criteria for capital asset reporting, as determined by the Controller's Office.

4.1 Required Disclosures

The Accounting Principles Board (APB) of the American Institute of Certified Public Accountants (AICPA) *Opinion* No. 22, "Disclosure of Accounting Policies," requires financial statement preparers to include a description of all significant accounting policies as an integral part of financial statements. This description must include the following accounting principles and methods regarding fixed assets:

- Disclosure of accounting treatment for fixed assets purchased with governmental fund types, as well as those purchased with proprietary fund types (This disclosure note also may include the City's accounting for betterments.)
- Accounting policy for infrastructure capitalization
- Accounting policy used to account for the capitalization of interest costs associated with self-constructed general fixed assets
- The valuation bases for purchased and donated fixed assets



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- Disclosure of the City's depreciation policy, as required by GAAP, including the estimated useful lives and depreciation method
- Disclosure of the City policy for exercising the option, under the National Council on Governmental Accounting (NCGA) *Statement 2*, that allows for depreciation on certain assets (e.g., assets acquired or constructed with resources externally restricted for capital acquisition) to be closed to the appropriate contributed capital account after being recognized in operations

APB *Opinion* No. 12, "Omnibus Opinion," requires disclosure of the separate classes of fixed assets and the amount of accumulated depreciation. This information should be in the notes if it is not disclosed in the combined balance sheet.

4.2 Optional Disclosures

The 2001 edition of *Governmental Accounting, Auditing and Financial Reporting* (GAAFR), published by the GFOA, suggests that certain disclosures are necessary in supplementary data schedules. The inclusion of these optional disclosures within the financial statements of the City will be at the discretion of the Controller's Office and in accordance with GASB *Statement* No. 34, *Statement* No. 37, and *Statement* No. 38.

5 Disclosure Requirements for Leases

5.1 Leases Receivable

The 1987 *Codification*, Section L20.124 states that the disclosure requirements of *Statement of Financial Accounting Standards* (SFAS) No. 13, "Accounting for Leases," should be used for both capital and operating leases. In addition to a general description of the capital and operating arrangements, SFAS No. 13 requires the following disclosures of sales-type and direct financing leases:

- The components of the net investment in sales-type and direct financing leases as of the date of each balance sheet presented, including unguaranteed residual values accrued to the benefit of the lessor; unearned income; and future minimum lease payments to be received, with separate deductions for (i) amounts representing executory costs, and any profit thereon, included in the minimum lease payments and (ii) the accumulated allowance for uncollectable minimum lease payments receivable
- Future minimum lease payments to be received for each of the 5 succeeding fiscal years, as of the date of the latest balance sheet presented



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- The amount of unearned income included in income to offset initial direct costs charged against income for each period for which an income statement is presented (for direct financing leases only)
- Total contingent rentals included in income for each period in which an income statement is presented

5.2 Capital Lease Obligations

The 1987 *Codification*, Section L20.124 also provides authoritative guidance on lessee disclosures. The City is required to provide disclosures for capital lease agreements in accordance with SFAS No. 13. The disclosure requirements of SFAS No. 13 for capital leases include the following:

- General leasing arrangements
- The gross amount of assets recorded under capital leases, presented by major asset classes
- Minimum future lease payments, in total and for each of the next 5 years, presenting a deduction for the amount of imputed interest to reduce the net minimum future lease payments to their present value

6 Records Retention

Fixed asset records will be maintained for the life of each asset and retained in accordance with City requirements for the retention of accounting records.

6.1 Fixed Asset Master Record

6.1.1 Asset Record Information

The fixed asset master record includes, at a minimum, the following asset record information for each fixed asset owned by the City:

- Department and division, as appropriate
- Asset tag number
- Asset category
- Asset description (including manufacturer and serial number)
- Ownership code
- Title holder
- In-service date



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- Asset cost
- Funding sources and amounts (specific federal grant or agreement numbers and the amount from each)
- Location, use, and condition (and the date the condition was reported)
- Method of acquisition
- Ultimate disposition data: date, disposition code, and reason for disposal
- Source document reference (e.g., purchase order number, vendor invoice, voucher number)
- Salvage value
- Useful life
- Asset type (capitalized or controlled)
- Date of last inventory
- Project number (for construction, improvements, or betterments)
- Valuation method
- Book value
- Leasing information (for capital leases)
- Maintenance information

6.1.2 Record Maintenance

The data recorded in the FAMS will be maintained on a current basis by the individual City departments in accordance with the following requirements:

- Acquisitions, interdepartmental and intradepartmental transfers, and dispositions will be recorded promptly and accurately, in accordance with the policies and procedures established by the City.
- Key reports, especially those with a financial impact, will be reviewed carefully by department management on a periodic basis. Amounts will be checked and balancing procedures executed.
- Significant discrepancies or variances will be researched immediately, to ensure that errors may be corrected in a timely manner.
- Results from physical inventories will be reconciled and entered into the FAMS. Data fields will be updated to reflect current fixed asset information.



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6.2 Retention Policy

The City will maintain both hard copy and electronic fixed asset records while an asset is in service.

6.2.1 Paper Documentation

The following information will be stored and maintained as paper documentation:

- Original acquisition documents, including purchase orders, invoices, receiving tickets, and vouchers payable
- Records of improvements and/or betterments affecting the original asset
- Input forms completed for submitting data to the FAMS (retained until the system output reports can be examined to confirm successful posting of the data submitted)
- Maintenance records pertaining to certain assets (e.g., vehicles and rolling stock), in accordance with City policy

6.2.2 Electronic File Backup Maintenance

Computer-stored data will be backed up and saved on an annual basis after the records have been updated with the annual physical inventory information, in accordance with existing Citywide Information Services data storage policies.

Data stored on magnetic tape will be updated whenever there will be mainframe computer hardware or software changes or updates.

6.2.3 Retention Period and Storage

All hard-copy records will be stored in clearly marked boxes or storage containers, either in the office or in an off-site storage facility, for 1 year after the asset has been disposed of. After 1 year of office storage, all hard-copy records will be transferred to off-site storage (following disposal) for an additional 6 years.

Computer system data that has been stored on magnetic tape will be stored in a tape room or vault with the contents clearly labeled. Tapes containing data backups from daily or month-end processing will be stored for 7 years. Two copies of tapes containing data backups from year-end processing will be stored for 7 years in separate locations. To minimize the loss of data due to the deterioration of the storage medium, data will be transferred to an appropriate long-term storage medium.

The City's retention policy for hard-copy records and computer system data will apply to all fixed assets. Additionally, records for equipment acquired under a grant must be retained for 3 years after the disposition of the property.



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6.2.4 Record Disposal

Once the retention period has expired, the documents and/or data will be disposed of in accordance with City Records Management policies and *Ordinance* 91-88.

Paper documents that are placed on microfiche or microfilm will also be immediately disposed of once final disposition approval is received.



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